

**Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201**

Department of the Treasury

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Employer Identification Number:

Contact Person - ID Number:

Date: August 11, 2011

Contact Telephone Number:

LEGEND

UIL 4945.04-04

B= Name of program
x= Number of awards
y= Dollar range of awards

Dear :

We have considered your request for advance approval of your grant-making program under section 4945(g)(3) of the Internal Revenue Code, dated March 16, 2010.

Our records indicate that you were recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation acting as a private operating foundation as defined in section 509(a).

Your letter indicates that you will offer grant making programs under section 4945(g)(3) called B.

B will provide you a way of supporting individuals studying nuclear security issues and other important global policy issues the opportunity to conduct policy relevant research.

Grant recipients will not be chosen from any particular educational or scientific institution, or from any particular geographic location. A grantee must be a junior (non-tenured) faculty member of a college or university, a post-doctoral fellow, or a pre-doctoral candidate from any discipline, who is working on a nuclear security related issue or other important global policy issue. In order to obtain the best possible candidates for B, you have indicated that you will contact educational and scientific institutions to make known the availability of the grants. You have also indicated that B will be publicized in various specialized publications likely to be read by potential applicants and their mentors. The candidates will be required submit an application providing details related to the selection criteria.

Grants will be made to individuals operating in foreign countries. You will comply with State Department and Treasury Department recommended procedures in making distributions to foreign individuals under B.

You do not intend to make grants to countries which appear on the State Department list of state sponsors of terrorism, to individuals who reside in those countries, or to support projects that will be carried out in such countries. If grants were issued with respect to such countries it would only be after registering and obtaining a license from the Office of Foreign Assets Control (OFAC) to carry out permitted humanitarian activities. To avoid making improper grants, you will determine the countries in which a grantee will use funds before any grants are made. Each grantee will be required to agree not to expend funds in countries that are considered state sponsors of terrorism.

B will not be granted to individuals named on OFAC's list of Specially Designated Nationals and Blocked Persons (SDNs). Before any grant is awarded under B, the name of the potential grantee will be checked against the OFAC SDN list and the individual's country of residence and country or countries where the grant will be used against the country based sanctions list. You will check the list using a commercial OFAC compliance program to enable less than exact matches as well as checking the official OFAC list. If there appears to be a match you will not make the grant until you have determined through further inquiry, which may include contacting OFAC, whether the grant candidate and the person on the list are the same person. Only when it has been confirmed that the candidate is not on the list will the grant for B be made.

Each grantee will be required to sign a written agreement providing that the funds will be used only for the purposes of the grant and will not be used to support any terrorist organization or its support network. The grantee is also required to provide a written report as to the use of the grant funds, and to return any funds not used for purposes of the grant.

The key criterion will be a demonstrated commitment to an important area of policy and a capacity for high quality research. A grantee must either be an individual whose activities will make a contribution to the area of policy, or whose project will enhance the knowledge, or improve the skills and talents of the grantee in the area of policy. B will be awarded on the basis of academic and professional accomplishments and promise, and on the merits of the specific project proposed. You will award grants on an objective and nondiscriminatory basis with the assistance of advisors with domain specific expertise. You will not use grants to compensate recipients for performing personal services for the organization. You will not award grants to your founder, trustees, employees, members of the founder's family, to any disqualified person with respect to the organization, or for a purpose that is inconsistent with the purposes set forth in Code section 170(c)(2)(B).

The selection committee will consist of two trustees of the organization. In making their selections the committee will rely heavily on an advisory committee of experts in the field of nuclear security. Trustees will not be in a position to derive a private benefit, either directly or indirectly, if certain candidates for B are selected over others. Relatives of trustees or the advisory committee are not eligible to receive the grant.

The most important criteria in selection will be the applicant's commitment to the field of nuclear security and his or her capacity for high quality research as demonstrated by his or her previous academic and professional accomplishments. Of secondary but nearly equal importance are the merits of the research project proposed – whether or not the proposed project is likely to contribute new knowledge to the general body of knowledge on nuclear security and, if so, how important that new information will be to world and national security.

Applicants will be ranked based on these criteria by an advisory committee. Final selection will be made by the trustees based on the advisory committee ranking and availability of funds.

You will award approximately x fellowships per year in the amount of \$y per fellowship depending on the qualifications of the grantees. The funds will be granted over five years. Funding levels will have small increases each year to adjust for inflation. Except in extraordinary circumstances no individual will be eligible for repeat funding.

You will pay the grant funds directly to the grantees. Each grantee will provide you a written progress report at least once a year. This report must include a description of the use of the funds awarded, and how such use fulfilled grant purposes.

Within three months after the end of the project, a grantee must provide you a written final report summarizing the annual reports and describing the overall benefits of B to the grantee and to the development of the policy area.

In those instances, where the reports submitted, or other information (including the failure to submit reports) indicate that all or any part of a grant is not being used for intended purposes, you will investigate and will withhold further payments to the extent possible until you receive and approve delinquent reports.

If you determine that all or any part of B is being diverted from the intended purposes, you will take all reasonable and appropriate steps to recover the grant funds and/or to ensure restoration of the diverted funds to the purposes of the grant. This would include legal action if deemed appropriate under the circumstances.

You have agreed to maintain records that include the following:

- Information obtained by you to evaluate the qualifications of potential grantees;
- Identification of the grantees (including any relationship of any grantee to you or any of the trustees);
- The completed application of each grantee;
- The amount of each grant;
- The date(s) of each grant payment; and
- Reports from grantees, and any additional information that you may obtain in the course of the grant administration process.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(3) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

We have not considered whether grants made under your procedures are excludable from the gross income of recipients under section 117(a) of the Code.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain

adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois Lerner
Director, Exempt Organizations

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